

# Chapter 53

## Networks Collaboration in Wine Sector SME: A Study Applied to a Portuguese Wine Region

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### **ABSTRACT**

*Collaboration between companies, especially for SMEs, can increase their ability to compete in new global markets. The emergence of new wine-producing countries over recent decades allows to evaluate its impact on the performance of a collaborative supply chain in countries with wine production tradition. This chapter describes the collaboration in the interface wine-grower/wine maker in a Portuguese wine region (Setúbal Peninsula). It reveals that intensification of collaboration between wine companies could increase their competitiveness in the domestic and the international markets, due to the benefits it endorses. It also exposes some factors that stand out as conditioners to the operationalization of a deep collaboration, restricting it to just a few activities. The results of a case study performed suggested that the wine industry structure and the product characteristics are factors that negatively influence the intensity and the extension of collaboration. Trust is the intangible element that stands out as critical to the intensity of collaboration.*

### **INTRODUCTION**

The increasing world trade liberalization together with the emergency of new wine producing countries (USA, Argentina, China, Australia, Chile and South Africa) has significantly increased competition to the European wine producers (old world wine countries, such as, Spain, France, Italy, Germany and Portugal), certifying that the wine market is gradually globalized.

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## ***Networks Collaboration in Wine Sector SME***

The globalization of the wine market, results on a growth of the supply and increasing the volume and the easy access to the information. These factors increase the demand and improve the conscious and exigency of customers. Nowadays, customers are alert to the novelties but, for a regular consumption, remain to claim the maximum satisfaction with the least allocation of his income. They seek the best balance between quality and price (Cembalo et al, 2014).

Some studies performed by Aicep Portugal Global<sup>1</sup> in several countries (Brazil, 2008; Switzerland, 2009; Singapore, 2010; China, 2011, Spain, 2011, USA, 2011; Norway, 2011; Netherlands, 2013; Germany, 2014) and a study developed in Portugal (CVRVV<sup>2</sup> et. al., 2003) suggest that standards of wine consumption fall into wines with a lower price. Although a wine with a lower price potentially have a wider range of buyers, the value that consumers are willing to pay per bottle depends on the occasion, the place (supermarket or restaurant) and the category of wine. It also appears that people with a high income consume all categories of wine in terms of price and not just the higher price categories. In non-traditional producer countries such as USA the price, although to be an important factor in the choice, it is not so important to the sophisticated consumers whose focus is on quality and taste the experience of consuming an imported wine. On the other hand in China (Muhammad et al., 2013), where consumption and imports of wine registered a high growth in last years, the increase on wine demand are associated with the fast growth of the middle class, many purchases are made for a status reasons (expensive/distinct wine region, like French wines) or accessibility (cheap) rather than by balanced quality/price ratio. In Eastern countries the consumer is very driven by the price of wine and influenced by opinion leaders in the area. It is important to be aware that the global wine consumption is not only increasing but it is also changing in the terms on the place and pattern.

In this scenario mainly driven by the price or by the perceived value, companies are increasingly challenged with the need to respond with quality, agility, and efficiency to the new form of market performance. Also in European countries, where are the traditional wine consumers markets, costumers are reducing their consumption. However at the same time emerge new wine consuming countries in Asia, Eastern Europe, America and the small countries in northern Europe (OIV, 2012). Particularly, in the case of SME which represent the majority of European wine producers, the identification of possibilities to achieve economies of scale is crucial. Not only to reduce production costs, but also as a way to access to international markets that tend to contribute to increase their competitiveness. SME's also should invest on the product differentiation and marketing strategies adapted to the specific markets. The product differentiation could promote the shopping experience. Hence, producers should definitely invest in product quality and innovation through fostering partnership with wine-growers.

However the development of collaborative processes between companies in the supply chain is not always easily to achieve. On the one hand there are a plurality of barriers in the organizational structures resulting from a very departmentalized vision and from management practices focused internally. Additionally there are a number of factors related to the external environment and to specific characteristics of the industry which leads many companies to a marginal position in defining strategies aligned with collaborative practice with partner companies.

Nevertheless, studies conducted over the last decade<sup>3</sup> suggest that configuration of companies in collaborative networks is a way to promote the development of synergies in the arising areas of interaction. These networks constitute themselves as generators of opportunities, behaving benefits that converge to increase the competitiveness of companies. On this regard Danilovic and Winroth (2005) argue that particularly the SME with resources constraints and limited knowledge bases can overcome this dilemma and overpass the challenges due the current market characteristics through collaboration and networks.

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